

The Real Estate TRENDS

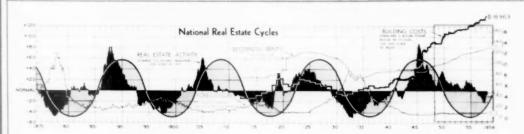
FEBRUARY 27 1959

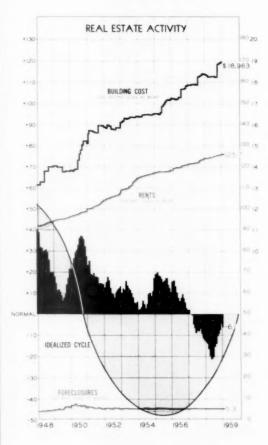
Volume XXVIII

A concise monthly digest of real estate and construction fundamentals and trends . . . A part of the complete service known as the Real Estate Analyst Reports

Number 9

C by ROY WENZLICK & CO., 1959
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS





HE 1957-58 recession bottomed out in the second quarter of 1958. Gross national product reached a record \$453 billion rate in the fourth quarter, regaining the losses sustained earlier. The subsequent recovery was extensive. Business activity has been increasing, reflecting expansion in individuals purchases of nondurable goods, higher residential construction and Government buying, and the end of inventory liquidation.

These strength-giving factors to the recovery will begin to lose force. Inventory buying at the level of prospective sales will be about \$4 billion. Housing starts at the rate of 1.4 million are at a level as high as might be sustained by demand and the availability of mortgage funds. Government expenditures will continue to increase for certain, but at a slower rate.

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408, 500 395, 600 380, 900 435, 500 437, 700 401, 200 472, 400 432, 100 414, 600 486, 500 460, 700 412, 600 457, 200 384, 800 370, 000 428, 600 435, 600 403, 600 407, 500 380, 800 328, 800 386, 500 329, 800 318, 600 5, 047, 100 4,790, 750 4,419, 400 4,	March	423,800	392,100	346,600	312,500	
435,500 437,700 401,200 472,400 432,100 370,200 438,900 460,700 414,600 486,500 460,700 412,600 457,200 384,800 370,000 428,600 435,600 403,600 407,500 380,800 328,800 386,500 329,800 318,600 5,047,100 4,790,750 4,419,400	April	408, 500	395,600	380,900	334,800	
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438,900 432,700 414,600 486,500 460,700 412,600 457,200 384,800 370,000 428,600 435,600 403,600 407,500 380,800 328,800 386,500 329,800 318,600 5,047,100 4,790,750 4,419,400	June	472,400	432, 100	370,200	365,900	
486,500 $460,700$ $412,600$ $457,200$ $384,800$ $370,000$ $428,600$ $435,600$ $403,600$ $407,500$ $380,800$ $328,800$ $386,500$ $329,800$ $318,600$ $5,047,100$ $4,790,750$ $4,419,400$	July	438,900	432,700	414,600	416,100	
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$\begin{array}{cccccccccccccccccccccccccccccccccccc$	October	428,600	435,600	403,600	455,700*	
386,500 329,800 318,600 5,047,100 4,790,750 4,419,400 4,	November	407, 500	380,800	328,800	361,600*	
5,047,100 4,790,750 4,419,400	December	386,500	329,800	318,600	386,600*	
	Total	5,047,100	4, 790, 750	4,419,400	4,406,200*	

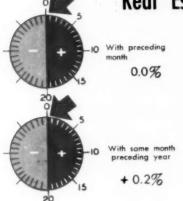
Real estate activity lost a little ground in January after seven months of a continuous rise. Real estate activity is based on the number of voluntary real estate transfers divided by the number of families and charted as a percentage above or below the normal line.

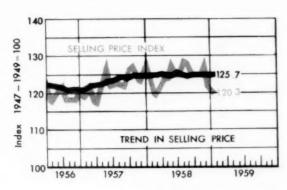
Rents registered another slight gain in January and building costs, based on a standard six-room frame house, climbed \$25 from December to January.

The table on the page opposite gives the number of monthly nonfarm real estate transfers in the United States from 1950 to the present. Only twice did the total number of transfers drop below 300,000 -- once in January 1954 and again in February 1958. The highest monthly peak was reached in July 1955.

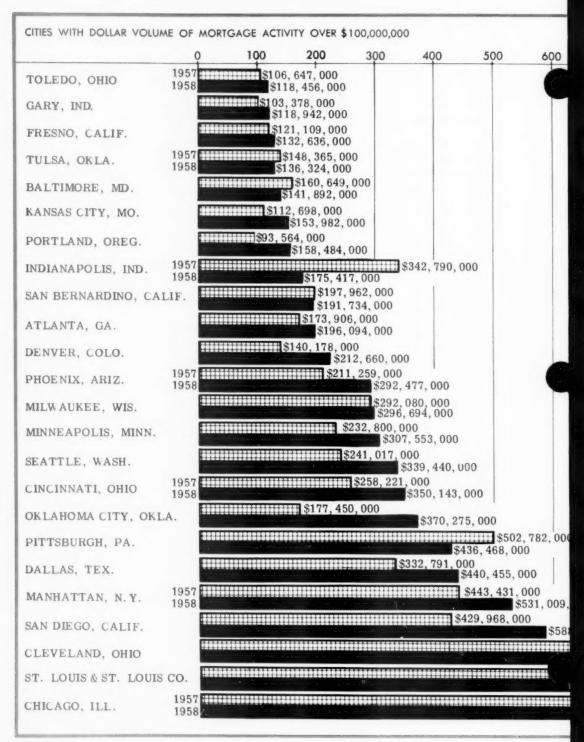
Our selling price index shows the variation in cost of a new residence on a suitable lot in comparison with the selling price of an existing residential building which has been sold at least once before. It is interesting to note that the selling price of the existing residential building has been relatively stable (cont. on page 91)

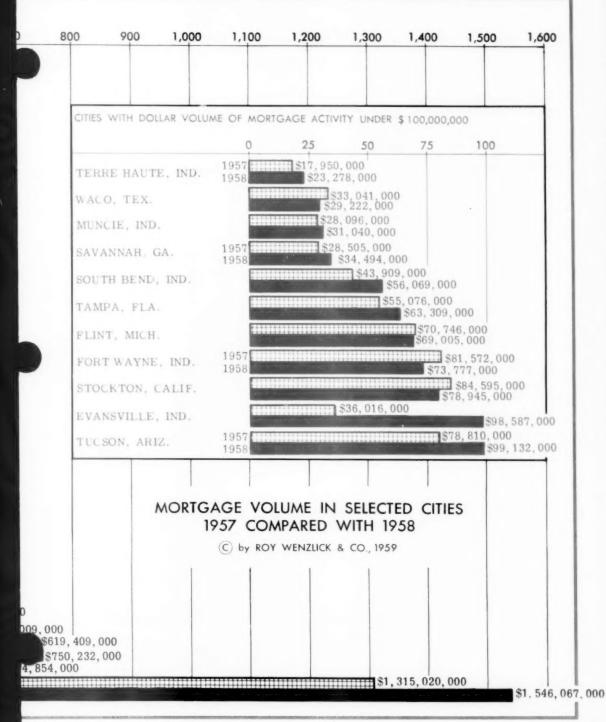
Real Estate Selling Price Comparisons

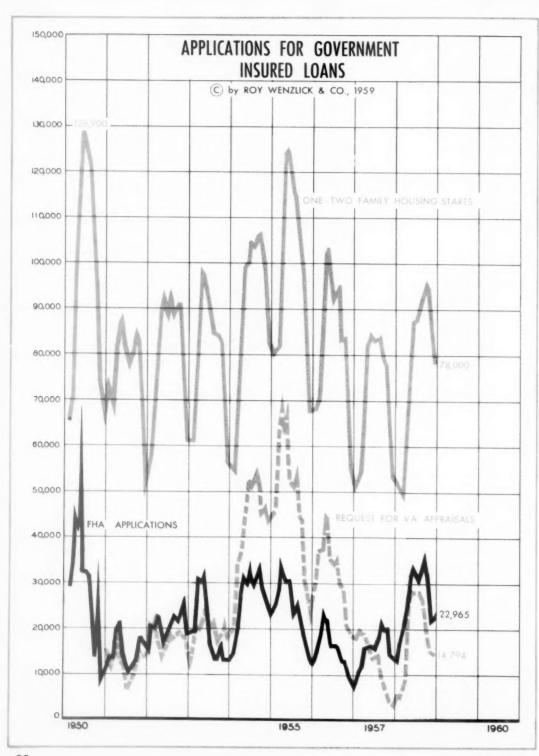




DATE	TREND IN SELLING PRICE	PROBABLE SELLING PRICE OF A HOUSE THAT SOLD FOR \$12,000 IN 1947-49 PERIOD	DATE	TREND IN SELLING PRICE	PROBABLE SELLING PRICE OF A HOUSE THAT SOLD FOR \$12,000 IN 1947-49 PERIOD
947-49	100.0	\$12,000	Jan. '58	125.5	\$15,060
913	40.1	4,812	Mar. '58	126.1	15,130
918	34.1	4,092	June '58	126.6	15,190
Mar. '29	73.9	8,868	Sept. '58	125.7	15,080
May '32	34.8	4,176	Oct. '58	125.7	15,080
pr. '34	44.8	5,376	Nov. '58	125.7	15,000
uly '37	40.1	4,812	Dec. '58	125.7	15,080
Apr. '38	42.8	5,136	Jan. '59	125.7*	15.080*
Mar. '41	40.1	4,812	Jan. Jy	160.1	10,000
oct. '48	104.5	12,540			
et. '53	119.7	14,360			
Oct. '54	122.3	14,680			
Oct. '55	125.1	15,010			
Oct. '56	121.9	14,630			
Oct. '57	125.3	15,040	1		







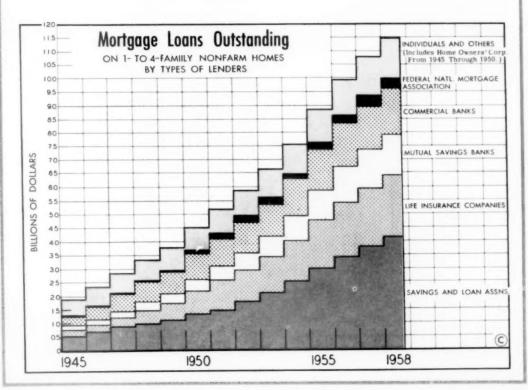
(cont. from page 87)

in a period when real estate activity was dropping and financing was increasingly difficult to obtain. The fact that the recent recession has not depressed either rents or selling prices indicates that the demand for real estate is still relatively strong.

The double page chart shows mortgage volume in selected cities in 1957 and 1958. The cities are grouped in two classes -- those where mortgage volume exceeds \$100 million and those under \$100 million. Because the dollar volume of mortgages in Los Angeles in 1957 was \$2.50 billion and \$2.53 billion in 1958 -- an amount more than half again that of Chicago -- it was not included in the chart.

In 11 of the cities, mortgage volume in 1957 exceeded the 1958 total.

FHA new home mortgage applications in 1958 increased 72% over 1957 and VA appraisal requests for proposed units increased 47%. The FHA mortgage insurance applications reached a near-record volume in January 1959. The January activity covered 65,700 new and existing dwelling units and was the highest volume for January since 1950. The increase represents a 12% rise over December 1958 and 38% above January 1957.



Mortgage loans outstanding by type of lenders are shown on the chart on page 91. Of the total mortgage debt outstanding on one- to four-family non-farm homes, the percentage distribution is as follows:

Savings and Loan Associations	36.4
Life Insurance Companies	19.3
Mutual Savings Banks	13.2
Commercial Banks	15.0
FNMA	3.0
Individuals and Others	13.1

The amount of nonfarm home mortgages added to the portfolios of lenders during the third quarter of 1958 was \$3.1 billion. This is the largest quarterly increase of such debt since the third quarter of 1955. The rise reflects the inflow of savings to financial institutions and their growing reservoir of investable funds.

Savings and loan associations gained a total of \$1.6 billion or 3.9% over the second quarter of 1958. Commercial banks increased their holdings of home mortgage debt by \$550 million or 3.3% during the third quarter, thereby being second only to savings and loan associations. This position is uncommon to commercial banks but the changed position can be traced directly to the strong upsurge of savings deposited in commercial banks.

Life insurance companies were the only major institutional lenders whose third quarter gain was minimal compared to the gain in the corresponding period of 1957.

